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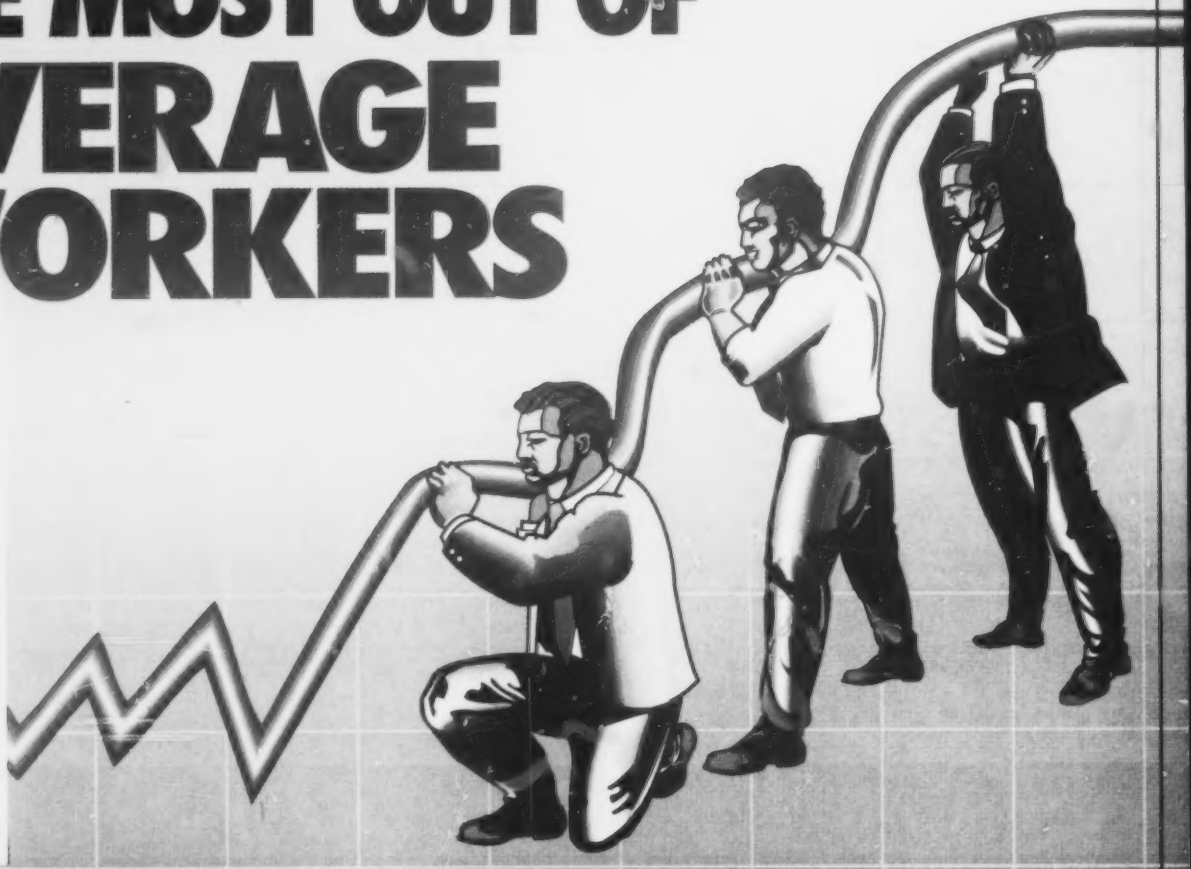
SECTION TWO
HOW TO PROFIT FROM MERCHANDISE INCENTIVES

SEPTEMBER 1991
SECTION ONE
OF TWO SECTIONS

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

GETTING THE MOST OUT OF AVERAGE WORKERS



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DIALING FOR DOLLARS
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MOTIVATIONAL SPEECHES
10 WAYS TO IMPROVE YOURS

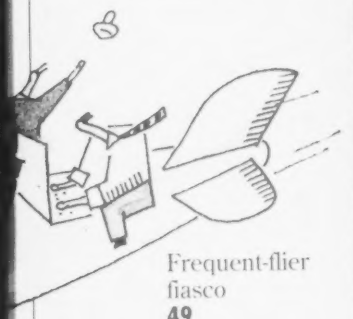
CHICAGO INCENTIVE SHOW
PREVIEW AND SCHEDULE

A BILL PUBLICATION

87TH YEAR, VOL. 165, NO. 9

SEPTEMBER 1991

INCENTIVE



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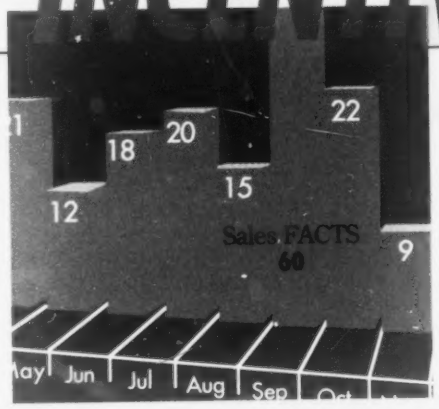

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HOW TO PROFIT FROM MERCHANDISE INCENTIVES

Cover computer illustration by Michele Cormier

INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

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FROM THE EDITOR

AN INTEGRATED APPROACH

BY BRUCE BOLGER

I recently sat in on a meeting that revealed much about how today's leading-edge advertising agencies serve their clients.

One of the world's largest consumer-products manufacturers asked me to help with a presentation about its marketing needs to its new ad agency. I expected to hear the agency personnel (an account executive and someone from the direct-marketing division) ask the same old questions about the firm's target audience. Instead, I heard questions and suggestions that speak quite well for the potential of integrated marketing—something I have written so much about in this column.

The agency executives asked far more than the basic questions. They wanted to know more about the sales force's relationships with customers: How often did they call on customers? Did they make cold calls? What did they do with the names of potential customers who didn't buy the first time? Where do they get their leads? How did they pre-qualify their leads? How does the company measure salespeople's performance?

The result of this meeting: A realization that one of the world's most successful and innovative consumer marketers has not maximized its customer database potential. While the company has a firm handle on its largest customers, it doesn't have a system to track all of its sales prospects. Due to the company's huge ad budget and prominent name recognition, the salespeople receive hundreds of leads—most of them unqualified, and some good ones that could fall through the cracks.

The agency's direct-marketing expert suggested that the company could sigificantly benefit by improving its customer database, and by ensuring that even prospects who don't buy today are earmarked for future efforts. She suggested that the company could benefit from a greater effort to pre-qualify leads before they get to the salespeople, which would eliminate time spent following up on worthless inquiries. Another guest at the meeting suggested that lead follow-up could become the basis of an incentive program for the company's sales force.

Surprised by this emphasis on non-advertising issues, I asked the direct marketer whether the integrated approach to advertising was new to this agency. "I've read a lot about other agencies going to this now," she said, "but we've been doing it this way for years. In fact, as a direct-marketing manager, I am in the same division as the account people, whereas at most agencies, I would be in a separate division. That makes the communication work a lot better."

I don't know whether this agency's services will fulfill the promises demonstrated at that meeting, but it leaves me convinced that companies that aren't getting this sort of assistance from their agencies should take a fresh look at their needs.

Bruce Bolger

Incentive/Managing and Marketing Through Motivation® (ISSN 0019-3364; USPS 799-880) is published monthly by Bill Communications, Inc., 341 White Pond Dr., Akron, OH 44320. Corporate and editorial headquarters: 633 Third Ave., New York, NY 10017. Subscriptions: US—$48; Canada/Foreign—$75; single copies—$5; December FACTS issue—$15. Copyright 1990 by Bill Communications Inc., all rights reserved. Postmaster: Send change of address to Incentive/Managing and Marketing Through Motivation, Box 3599, Akron, OH 44309-3599; fax (216) 867-0019. Second Class postage paid at Akron, OH, and at additional mailing offices.

FACTS SURVEY
SALES INCENTIVES

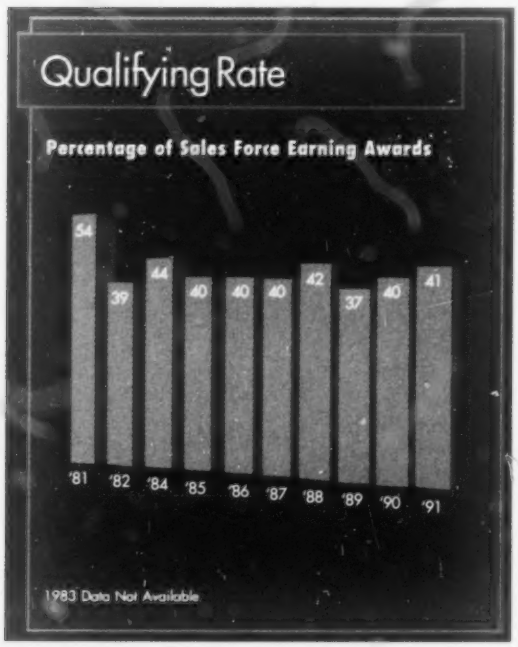
While their spending estimates are conservative, executives reveal an unwavering confidence in sales programs.

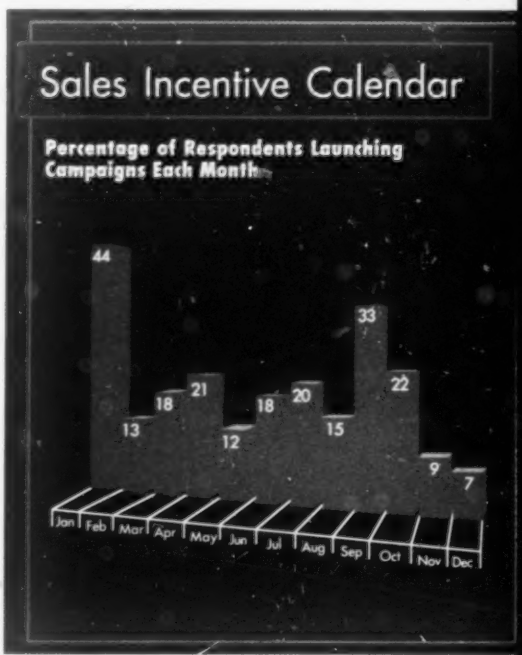
Less is more. That seems to be the message sent by the 242 executives polled in this year's sales incentive survey. Predicting a 10-year statistical low on the return of incentive-campaign investment—and, operating against the backdrop of recession—these users expect to spend less to do a lot more—mainly, to harvest new business and maintain market share.

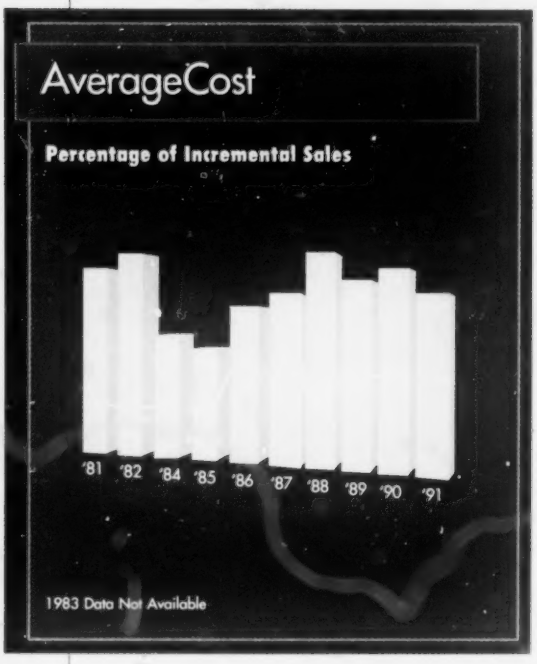
After more than a decade of healthy sales increases averaging between 18 and 21 percent, marketers in **Incentive**'s latest survey reported an average expected sales gain of only 16.2 percent from their 1991 incentive programs—though their goal was 18.8 percent. In 1990, users registered an average 17.2 percent rise in sales increases, lower than their expected 18.4 percent rise.

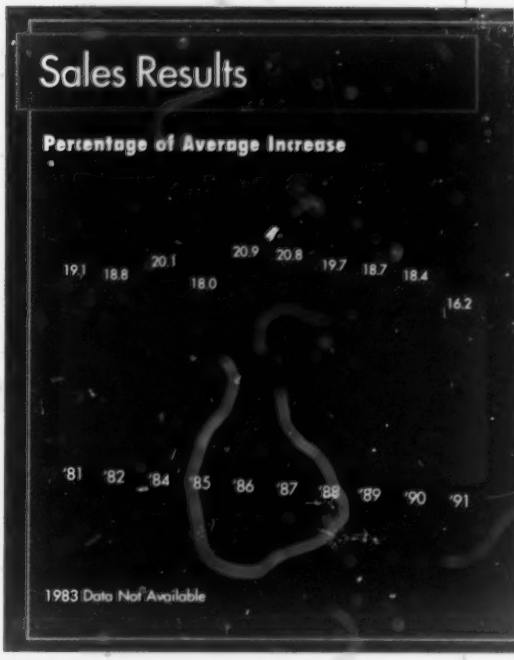
Planned expenditures for '91 sales incentives rose only about 3.5 percent over the amount the companies spent last year. About 12 percent of the survey group said they have reduced their budgets this year while 33 percent indicated they are increasing their spending. Shrinking markets seem to be the dominant factor determining sluggish performance projections.

Still, incentives appear to be doing what they should do best in recessionary times—maintaining a company's market share. Sales-incentive figures remained strong heading into '91: Companies spent an estimated $5.65 billion in '90, an 8.1 percent increase over the previous year. And while some industries kept their incentive-spending levels fairly even with prior-year outlays, seven industries registered gains of more than 10 percent in expenditures for sales-force motivation. Paper products and packaging added a whopping 21.4 percent to the estimate, while auto makers, banks, hardware and chemical firms each expanded their incentive spending by 14 to 16 percent. Electrical and lighting companies and furniture manufacturers increased their spending by 12.2 and 10.9 percent, respectively. The large category of wholesalers and distributors invested an extra 18.2 percent to spur salespeople last year.









to third with a 41 percent vote, and the objective "sell new accounts" has moved from third into second place, now favored by 53 percent of respondents, against 44 percent last year. This underscores the emphasis on cultivating new business in a tough marketplace, and it's accompanied by another shift in this survey: A majority of 54 percent say they apply their incentive programs to a full line of products; only 40 percent gave that answer in the previous study. "Selected items" declined from 48 to 41 percent. A remaining choice, "promoting a single product," dropped from 12 percent last year to 6 percent this year. Few users settle for single objectives; the average in this survey is more than three choices per executive.

Bang for the buck. Incentive buyers seem to feel they'll still get their money's worth from this year's incentive campaigns. The major measure of an incentive campaign's success remains "percent of incremental sales"—how much of the extra sales yield had to be spent to achieve it. This year's average reveals good news: Program costs represent 12 percent of incremental sales, compared with 14 percent a year ago. This is the best reading in the survey since 1987, with the three intervening years showing cost levels of 15 (1988), 13 (1989) and 14 percent (1990). The median incremental-sales percentage remains at 10 percent for the sixth straight year, indicating that the typical respondent has been using a very stable motivational tool.

Many executives also indicate that they're combating the sluggish economy by redirecting their efforts toward uncovering new business for their full lines of products. This is evidenced by a big change in stated program objectives. The objectives shown in the chart on page 64 are the most common ones, with "overall sales-volume gains" cited by most respondents as the top goal. Introducing new products, the previous number-two objective, drops

Types of awards

Single premium or group of related items	48%
Individual travel award	41%
Group travel award	41%
Merchandise selection from incentive house	23%
Own catalogue	18%

Merchandise suppliers

Wholesaler or premium jobber	41%
Direct from manufacturer	39%
Full-service incentive house	27%
Manufacturer's representative	18%

Travel suppliers

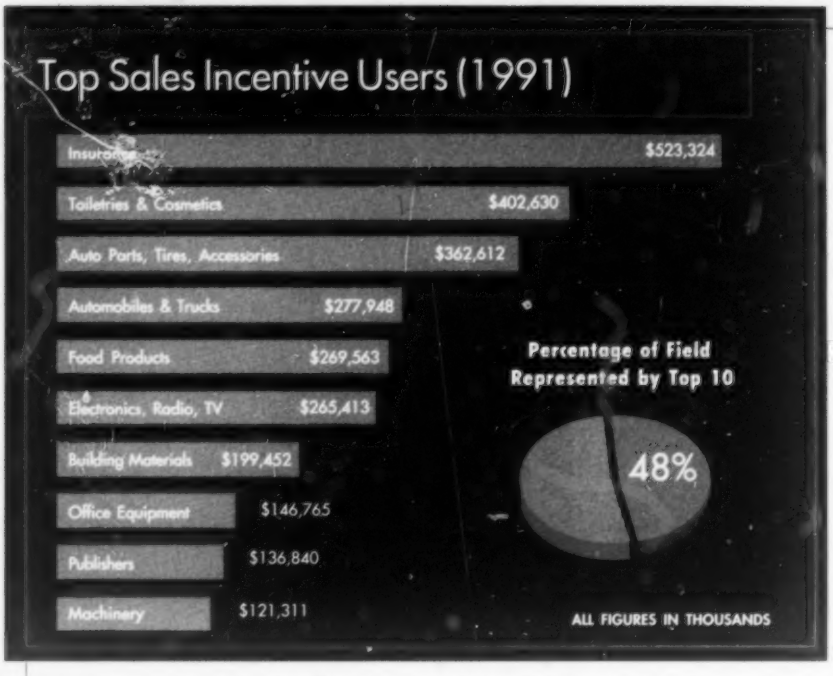
Travel agent	53%
Full-service incentive house	24%
Travel/tour wholesaler	22%
Travel carrier or hotel	18%

Final buying decision

President, CEO, executive vice president, general manager	56%
Director of sales or marketing	36%
Director of advertising or sales promotion	4%
Product manager or merchandising manager	4%

Lower costs. Costs, expressed as expected expenditures for merchandise and travel awards, fell slightly below last year's levels. Restraint in spending seems more pronounced in travel programs, with only a 2.2 percent increase in reported budgets for these high-profile awards. The same respondents report spending 5.6 percent more for merchandise incentives. In last year's final survey estimates, merchandise also ran somewhat ahead, up 8.6 percent, compared with a 6.7 percent rise in all users' travel spending. The slow budget growth partly reflects a reduction in the average cost of incentives. Aided a bit by moderating inflation—and probably by ingenuity in program planning as well—the unit costs of both merchandise and travel awards have declined from the figures posted a year ago.

Users in this survey spend an average of $298 for each merchandise award, compared with $369 reported in '90; the median for both years is $100, however. For travel, the average per winner (with or without a spouse) is now $2,420, down a bit from $2,458 last year; the median is $2,000. Strictly on a per-person basis, the trip cost now averages $1,534,



compared with $1,622 in '90; the median is $1,250 per person, up $50 from last year.

Promotional dollars continue to consume a good part of the incentive budget, with users spending an average of 19 percent of their program funds on printing, mailing and other promotional elements of the campaign. The remaining 81 percent of dollars are spent on the awards themselves.

Sales-force qualification levels, meanwhile, have edged upward. Overall, 41 percent of salespeople qualified in the average program, one percentage point ahead of '90 survey results. The average qualification rate in merchandise-oriented programs was 51 percent; for travel campaigns, 34 percent.

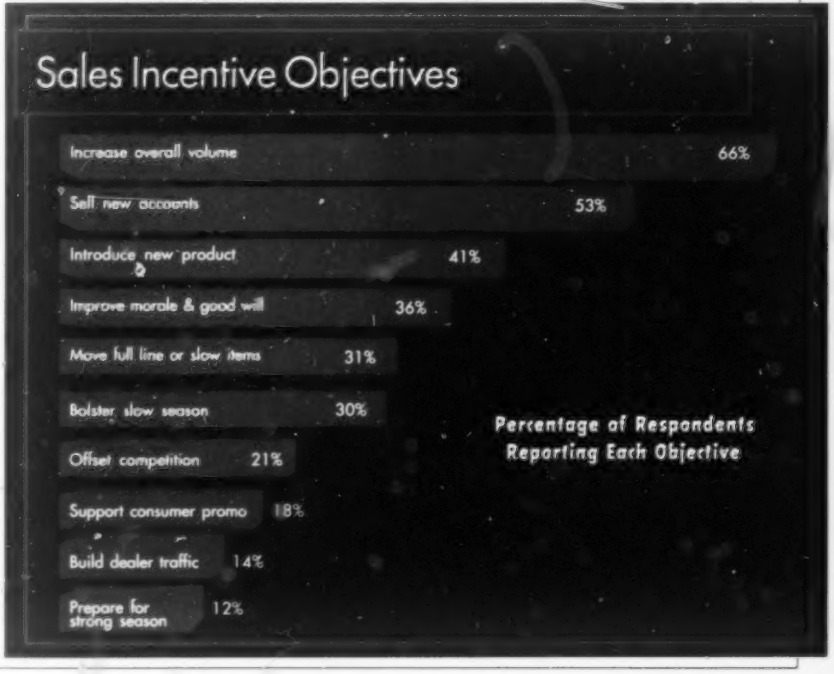
Most sales incentive users—69 percent in this survey—include company-employed salespeople in their award programs. But other groups also account for a greater share of the activity. Manufacturers' representatives are targeted by 27 percent, wholesaler or jobber personnel by 23 percent, and retailer personnel by 20 percent. Direct sellers and others account for almost 10 percent. On a frequency basis, the employee salespeople get 46 percent of the attention, and the outside groups account for 54 percent. Thus, the majority of people targeted in sales incentive campaigns aren't a captive employee group, as is sometimes supposed; most of them are outsiders who have to be sold.

The majority of sales executives run one, two or three incentive campaigns a year for salespeople, depending on the type of award, duration of each program and, of course, the objectives. Those favoring merchandise programs have increased the frequency somewhat this year to a median of three programs, compared with just two in last year's survey. Travel users, who usually stage longer campaigns, show a median of one campaign a year. Executives who feature an award mix of both travel and merchandise run a median of two campaigns a year.

Program length varies greatly—from one week to one year or more. On average, this year's respondents are running slightly shorter merchandise promotions—13 weeks instead of the 15 reported last year. Travel programs, however, have grown a bit longer, now lasting an average of 29 weeks, compared with last year's 27.

Program-planning time—the period extending from the initial decision to offer an incentive to the announcement of the complete promotional plan—takes an average of 17 weeks for merchandise users and 31 weeks for travel users, according to survey results.

The award mix. As in many other types of incentive campaigns and promotions, sales programs feature three types of tangible prizes: merchandise, travel and cash. Cash still has a strong share of proponents, especially in the sales realm. One might wonder if recessionary times increase the temptation to offer cold cash as a motivator, but the answer suggested by this survey is "no." As in '90, the questionnaire asked: "In otherwise identical campaigns—and assuming that the sales force is



adequately compensated—which type of award do you find yields the best results in motivation?" In last year's survey, 31 percent voted for cash; this year only 24 percent opted for greenbacks. Merchandise is favored by 27 percent, and travel—the big gainer at 49 percent—soared from 36 percent in the '90 survey.

After a decade of healthy sales increases averaging between 18 and 21 percent, marketers expect a gain of only 16.2 percent from 1991 incentive programs.

Still, the battle rages on about which award best motivates salespeople. "Money talks," "cash is still king" and "cash buys the things people want in life"—these are among the comments written by respondents favoring a purely green payoff in their incentive programs. "We have found," says David J. Gasmovic, national sales manager of McLaughlin Manufacturing Company, Greenville, S.C., "that too many trips are taken by our dealer principals, and very little reaches down to the salesmen. With cash, the salesman benefits immediately."

Cash is "the simplest award. It has value for everyone," claims an electronics executive. "There are no worries about people not liking travel, not liking red meat, etc." Another executive adds, "Because of the inflationary rate, our salespeople would rather have cash for their everyday needs, rather than receive merchandise."

Among the champions of travel awards, none are more enthusiastic than insurance executives. "Our people enjoy the travel we've offered in the past [Hawaii, London, cruises]," says one insurance executive. "They take special pride in being able to travel all over the globe at the company's expense, often bragging to their neighbors and friends that they got this trip because they did the job expected."

Rick Gray, sales manager of Harry G. Barr Company, a Ft. Smith, Ark., wholesaler, insists that travel "is something that the mind stores away, to be remembered forever. Cash is spent quickly and who knows what for."

Users of merchandise, meanwhile, trumpet that award category's merits. Larry Smith, sales manager of Star Finishing Products Inc., Hinsdale, Ill., points to "the fact that the wife and other members of the family get behind the promotion in order to keep the participant going. They help keep the momentum going throughout the promotional event."

The predominant feeling expressed in survey comments? Travel and merchandise awards, when mixed effectively, can accommodate a wide range of sales palates. A telecommunications executive who uses both types of awards explains: "I still like travel for my high-end performers, but merchandise trickles down to more employees. Employees earn points based on various criteria and redeem points through a catalogue. They're able to select their own awards. Most employees (90 percent) earn enough points to get something, compared to the few (3 percent) who earn travel awards."

A Midwestern food marketer also plays it both ways: "We experience an excellent response from both types of awards. The fine performers will opt for the travel, while those who achieve quota are happy with merchandise."

In the end, perhaps the best advice comes from David Quirsfeld of Commerce Clearing House, Riverwoods, Ill., who votes for "recognition" regardless of the tangible awards used. "It has been our experience that our top sales representatives respond best when there are opportunities to be recognized—among their peers, among management—for a superior effort. The rewards, whether merchandise, travel or cash, can be of a rather insignificant nature and still produce astounding results as long as the reps know they will be recognized publicly for the effort."

Winning ways. Recognition and awards, in whatever form, begin when the salesperson reaches 93 percent of quota, according to the average of figures offered in this survey. The maximum award level, meanwhile, is usually reached at 117 percent of the assigned quota. Quotas are based on year-ago sales performance by 53 percent of these companies, while 38 percent relate them to a preset sales forecast; only 9 percent tie quotas to an immediate previous period's sales volume.

How do sales executives judge a program's success? In most cases—66 percent—the major criterion is total units or dollars sold. The second choice is the percentage of participants who reach their goals—favored by 47 percent. Some 28 percent of sales executives base program evaluation on the profit on incremental sales, while 20 percent look at the increase in market share and 13 percent examine branch or district performance. The percentages add up to well over 100 percent, indicating clearly that sales incentive users have almost as many ways to figure the bottom line as they do methods for reaching it.

The objective "sell new accounts" has moved into second place, underscoring the emphasis on cultivating new business in a tough marketplace.

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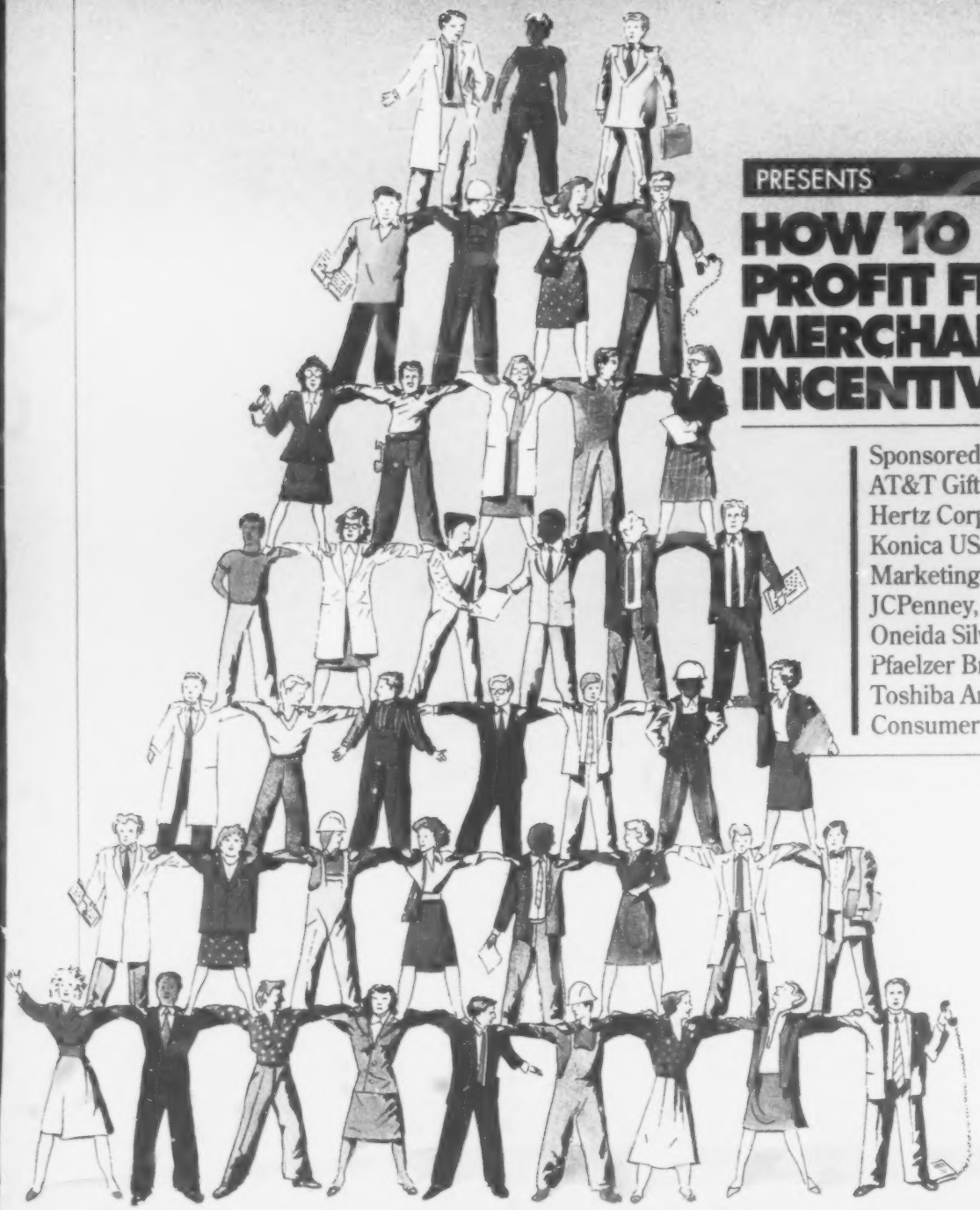
INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



PRESENTS

HOW TO PROFIT FROM MERCHANDISE INCENTIVES

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HOW TO PROFIT FROM MERCHANDISE INCENTIVES

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To order more copies of "How to Profit from Merchandise Incentives", or its companion guide, "How to Run an Incentive Program", send $5 per copy to: Book Editor, **Incentive**, 633 Third Ave., New York, NY 10017.

Illustrations by Andrea Baruffi

Why Mercha

CHAPTER 1

HOW TO TARGET THE BEST AUDIENCE FOR YOUR CAMPAIGN

The beauty of merchandise lies in its flexibility. Firms in industries as diverse as auto parts, food products, publishing, toiletries, cosmetics and insurance use it regularly—and with great success. In today's tough economy—where productivity, quality and return on investment are so vital—merchandise is winning over non-traditional users as well: computer and telecommunications companies, for instance, as well as many small businesses that can profit from incentive campaigns.

What all of these firms are finding is that merchandise meets all sorts of business needs—and budgets. In addition, award options are varied enough to please even the most discriminating clients or employees.

Best of all, a well-planned merchandise campaign has long-term impact. It not only helps a company achieve immediate goals, but it leaves the target audience with something tangible to appreciate long after a program ends. Merchandise is a permanent "trophy" of achievement and a lasting reminder of recognition.

Below, we have listed some of the key audiences who will benefit from merchandise incentives, along with a few examples of how companies can combine merchandise with business goals. (The accompanying case histories have won awards in contests sponsored by the Incentive Manufacturers Representatives Association, the Promotion Marketing Association of America, and the Specialty Advertising Association International.)

SALESPEOPLE

Maintaining a high level of sales requires more than just good products, comfortable working conditions, a strong sales force and a sound compensation system. It calls for constant stimulation. Companies must continually find ways to ensure that the people who sell their products or services are always on their toes, reaching for higher levels of achievement. Merchandise can help them do that by spurring—and recognizing—superior performance.

Most salespeople love a challenge. (It's their competitive spirit that got them into sales careers in the first place.) But they also have egos that need stroking. A merchandise incentive gives them both a thrilling chase and a tangible reward. What's more, winners gain extra pride in their accomplishments, as well as something special to share with or show off to family and friends.

In general, any objective of a sales incentive can be served effectively by merchandise awards. The key is to design fair and attainable goals, develop a program theme that captures the salespeople's imagination and choose merchandise prizes that speak to participants' demographics and lifestyles.

■ When Beneficial Management Corporation of America celebrated its 75th anniversary, the company wanted to produce a sizable increase in sales. To gain an extra edge, Beneficial Management decided to stimulate three levels of employees—branch associates, branch managers and district/regional supervisors—with a merchandise incentive. (Employees who met their goals won their choice of top-end merchandise from an attractive catalogue.)

To further encourage people to commit to the program, the company promised to enter all participants into a drawing for merchandise prizes. The bait worked: A full 98 percent of the target audience signed up for "The Celebration Continues" campaign, and Beneficial Management's insurance sales jumped 31 percent over a 12-month period.

■ Northern Telecom commissioned an original limited-edition sculpture by the Kirk Stieff Company to recognize the exceptional achievement of its Honor Circle winners. Since the program theme was "The Power Within," the sculptures were designed to represent the "inner fire" within each person. Pins, award certificates and travel prizes, as well as a theme video, a program brochure, posters and promotional mailings complemented the merchandise campaign.

Of the 12,000 people eligible to participate in the program, 534 — 34 percent more than expected— achieved their sales goals. Northern Telecom, in turn, outdid its previous year's performance with a 13.4 percent boost in sales and a 3 percent increase in market share.

NON-SALES EMPLOYEES

This relatively new category in the incentive arena is gaining more

andise Works

attention as the nation's quest for quality and productivity grows. Recent successful employee campaigns have focused on improving customer service, but there are plenty of other areas where merchandise incentives can prove effective:

- Recognition and service programs, which reward employees for extended employment or unique contributions to a company.
- Suggestion campaigns, which encourage employee-generated recommendations that improve productivity and quality or save money.
- Gain-sharing programs, which promote teamwork in solving productivity problems or cutting costs.
- Safety incentives, which recognize employees for accident-free periods.
- Quality campaigns, which reward individuals or teams for achieving high-quality standards in manufacturing or service.

Bottom-line gains in any of these areas are often difficult to measure. With sales incentives, you simply count the numbers, such as the dollars earned, units sold or profits gained; with non-sales incentives, you must assign a dollar value to work that is often non-repetitive and multi-faceted, and you rarely have a clear base line of performance. This makes it more difficult to justify your expenditures at the end of the program. For this reason, merchandise awards for non-sales incentives tend to be somewhat more modest than those used in sales campaigns. However, if selected carefully and bolstered by creative promotion and lavish recognition, even moderately priced merchandise can motivate a group of employees.

- Bell South Advertising & Publishing Co. needed to encourage a team effort in the delivery of yellow-page directories to the Southeast states and, at the same time, boost employee morale. It decided to target 50 key supervisors through a program dubbed "BAPCO's Hit Parade of Awards." As part of the kick-off, participants were given acrylic mugs inscribed with a juke box (the program logo)

MERCHANDISE IS A PERMANENT "TROPHY" OF ACHIEVEMENT AND A LASTING REMINDER OF RECOGNITION.

and the company's logo and slogan: "The Real Yellow Pages." To give everyone easy and permanent access to performance requirements, the rules were imprinted on the inside flap of a desk notepad.

Four levels of achievement—Big Bopper, Fats Domino, Chubby Checker and Little Richard—were determined and assigned points. Each month, managers would assess employee performance and award points accordingly. When sufficient units were accumulated, employees redeemed them for prizes in a gift catalogue. The "Solid Gold" employee-of-the-month won bonus points, as well as a juke box stereo cassette player with flashing lights. According to a company spokesperson, the program created a sense of excitement, encouraged teamwork and boosted employee morale.

■ In an effort to reinforce employee loyalty and enhance customer service, Orkin Pest Control targeted a "Reach Out...There to Care" campaign at 5,000 employees. The program was launched during special themed coffee breaks on payday in 348 Orkin branches. As employees sipped coffee from imprinted mugs—in rooms decorated with posters, heart-shaped balloons and partyware inscribed with the "We Care" theme—they watched a video that explained the program's goals and design. During the kick-off, custom lapel pins were distributed to all employees. When a manager noticed a worker wearing a pin, he would immediately reward the employee with a pen or ruler. Other merchandise awards included: imprinted portfolios, for branch managers who filled out a survey during the kick-off; theme-imprinted note holders with tips on phone courtesy, for office and sales personnel; and inscribed paper-clip caddies and golf-vehicle visor clips, for all employees. At the end of the program, each branch manager received a letter opener and a note of thanks for helping out with the promotion.

Over the course of the campaign, unsolicited customer complaints decreased by 21 percent and the number of canceling customers plummeted 11 percent. The result: an additional $1.2 million in revenue for the firm.

DEALERS

Unlike internal salespeople, dealers, distributors, retailers and service contractors aren't completely focused on your company and your goods or services. You must vie for their attention along with all the other companies whose products or services they sell.

Designed effectively, a merchandise incentive can steal the spotlight for your firm. The campaign can help you:

induce retailers to stock new products in your line

increase sales volume in preparation for a seasonal push

strengthen distribution in a weak market

even out a seasonal slump

encourage dealer tie-ins with

TAXES AND MERCHANDISE AWARDS

What are the tax laws regarding the use of merchandise in incentive campaigns?

In general, the company staging the program can deduct the cost of a merchandise award if the following circumstances apply:

■ The merchandise award is a "qualified plan" award and does not exceed $1,600 when added to the cost of all other achievement awards earned by the employee during the taxable year, including qualified and non-qualified plan awards. (Qualified plan awards are those that are given as part of an established written program [such as an incentive campaign], are approved by the Internal Revenue Service, and don't discriminate in favor of highly compensated employees in terms of eligibility or benefits. Qualified plan achievement awards made by an employer during a year may not have an average cost exceeding $400; otherwise, none will be considered qualified plan awards.

■ The merchandise award is not a qualified plan award and does not exceed $400 when added to the cost of all other achievement awards (which aren't qualified plan awards) earned by the employee during the taxable year.

■ If the value of the award exceeds the $400 or $1,600 limitation, the company will be taxed on the excess amount—rather than the full amount—of the award. The total amount that can be deducted for awards (qualified or non-qualified) made to any employee in one year is $1,600.

In general, the gross income of an employee includes all amounts received as prizes and awards (including cash). However, there is an exception for employee achievement awards, which include those that are earned for length of service or safety achievement. Under these rules, employees are not taxed on merchandise awards if the cost to the employer does not exceed the amount deductible by the employer.

If the cost to the employer exceeds the deductible amount, the gross income to the employee will be the greater of:

■ An amount equal to the portion of the cost of the award (to the employer) that is not allowable as a deduction to the employer (but that is not in excess of the value of the award), or

■ The amount by which the value of the award exceeds the amount allowable as a deduction to the employer.

For example, if employee A receives an award worth $400, which is fully deductible by the employer, he would not be taxed on the amount of the award. If employee B receives an award worth $800, which cost the employer $500—and $400 of which was deductible by the employer—he would declare $200 in income.

a consumer promotion

obtain additional display space

educate the dealer about your products

offset competitive promotions

build brand loyalty.

To accomplish these and other goals in a dealer program, you can run a one-shot, short-term promotion using merchandise to reward the purchase of a special assortment of products, a specified dollar volume of purchases or the use of a new display. Or, you can offer a choice of merchandise from a catalogue in return for coupons or points awarded for specific, desired behaviors or performances.

You must, however, structure your offer carefully. Though merchandise can make an attractive hook, you don't want your incentive to smack of bribery. When running a "trade incentive," it's a good idea to meld the merchandise aspects in with other elements, such as a consumer sweepstakes, local advertising, special events or price promotions—to avoid any hint of wayward ethics.

Also, some dealers may want to pass along your incentives to motivate their own staff; others may not want individual managers to redeem the awards. It's vital that the dealer understands your program before you launch it, and that promotional efforts reinforce the benefits of performing the desired behavior. If you want additional display treatment, for example, the displays must be designed to increase the dealer's sales; if you want to sell more of your stock, you must help the dealer move product off the shelf; *if you're selling* a new line, it must be one the dealer will be able to unload profitably. Examples of well-aimed programs:

■ Roadmaster bicycles were the draw in a "Pedal Into Spring" campaign that was launched by Procter & Gamble to promote end-aisle displays and purchases of Era and Oxydol laundry detergent products. The bikes were offered to dealers based on the number of cases purchased, and to consumers through a sweepstakes. The merchandise award tied into spring, which is the second-highest purchasing period of the year for this product category.

By the end of the program, Procter & Gamble had given away 5,400 Roadmaster bicycles—more than twice the number the company had predicted.

■ To increase cross-category purchases of 17 brands, Kimberly-Clark and Colgate-Palmolive teamed up with the American Heart Association in a health-and-fitness campaign aimed at 25- to 40-year-old women. The featured premium for consumers: a Timex aerobics watch. Dealers were also wooed; they received one of three Timex watches if they purchased 25, 50 or 100 cases of the designated products within a two-month period. Support materials included local dealer newspaper ads, a three-dimensional point-of-purchase display with tear-off pads and an American Heart Association exercise booklet.

Kimberly-Clark registered a sales increase of 24.4 percent, while Colgate Palmolive racked up a 22 percent gain. Both companies also realized a 22 percent increase *in advertising and displays.* In addition, consumers redeemed 100,000 Timex aerobics watches and dealers redeemed 22,000 items.

AVERAGE SPENT ON MERCHANDISE AWARDS

Sales incentives: $337 per person

Non-sales incentives: $345 per person

Dealer incentives: $165 per person

Business gifts: $57 per person

Source: **Incentive** magazine

CONSUMERS

Consumer incentives add value to a product or service and can be used to spur trial use, purchase or brand loyalty. They also make natural tie-ins to dealer promotions aimed at:

obtaining shelf attention in retail stores

boosting repeat sales

building customer good will

gaining ad readership

expanding market share.

Any company that sells to consumers can benefit from a consumer incentive featuring popular and desirable merchandise. One of the best-known and possibly most successful consumer incentives is the frequent-flier program, but there are many other effective ways to reach consumers:

contests

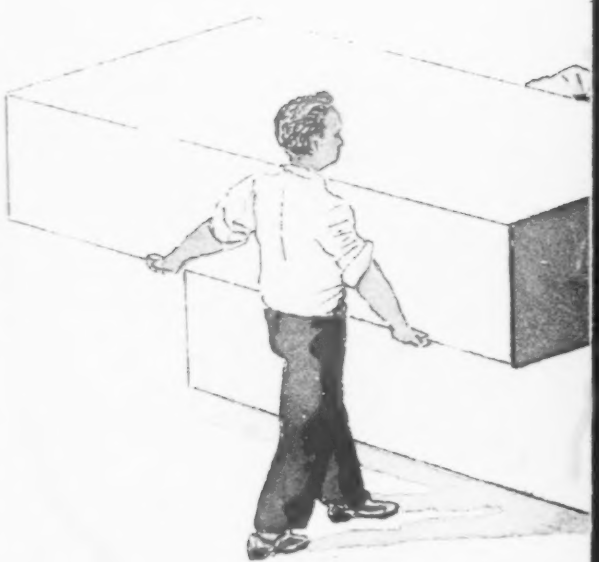
sweepstakes

self-liquidators

free mail-in offers

gift-with-purchase offers

frequent-buyer clubs



in-packs
on-packs.

With any incentive—and especially consumer incentives—no merchandise can effectively market a poor product. If what you are selling is overpriced or of poor quality, or if its packaging and advertising are ill-conceived, nothing you offer will disguise those very real dis-incentives to buy.

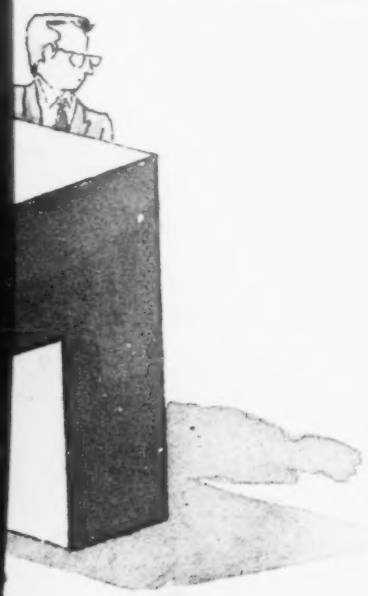
■ Acknowledging the strong influence children have on their parents' spending patterns, Pizza Hut cut to the quick by capitalizing on kids' current love affair with the Teenage Mutant Ninja Turtles—who just happen to be pizza aficionados extraordinaire. It obtained the rights to offer an audio cassette with 10 "original" songs performed by the group for $3.99 with any purchase; a color activity book with an autographed pull-out poster, and tickets to a 40-city "Coming Out of Their Shells" concert tour. It also sold pizza during the concerts.

The results: More than 6 million Turtles tapes were sold in the 6,000 participating Pizza Hut units—and pizza sales also reportedly soared.

Four Basic Criteria

"Merchandise works, but the challenge is to find the right product for your audience. We have four basic criteria for choosing merchandise awards: 1) The product must be of such high quality that it reflects positively on the company image; 2) It must be something everyone wants, preferably a state-of-the-art item that's on its way up in the consumer buying chain; 3) It must carry a high perceived value in relation to cost, and 4) Its brand name must be instantly recognizable in a positive way."

Mark Weinberger
Marketing Service Manager
Cathay Pacific Airways Limited
Los Angeles, CA



■ In an effort to enhance its sponsorship of the NASCAR racing series, The Gillette Company has tied in its Right Guard deodorant product with a long-time tradition: The Gillette Right Guard Halfway Challenge, an event in which viewers call in their winning pick at the halfway point of each race. This time around, consumers who called a 900 number could register in a sweepstakes for a Pontiac Grand Prix SE simply by punching in their phone numbers.

More than 1 million entries were logged, providing the Boston-based company with a substantial database for a follow-up mail campaign.

BUSINESS GIFTS

According to a recent survey by **Incentive** magazine, the average company distributes close to 107 business gifts a year. Some gifts are designed to celebrate specific holidays, while others aim to thank customers for their loyalty and business. Companies also give out corporate gifts:

to develop business by promoting the company name
because customers expect them to do so
to recognize employees
to build good will.

The benefits of giving business gifts have been well documented. One survey, conducted by Frank Pierce, Ph.D., of the University of Florida, cites that 47 percent of people who give business gifts feel that the items are either "effective" or "very effective" in producing the intended results.

Another study, by Richard Beltramini, Ph.D., of the College of Business at Arizona State University, concludes that business gifts improve customer perceptions of the gift-giver's products and increase the likelihood that the recipient will contact the vendor.

As you can see, the applications for merchandise incentives are broad and flexible. It's up to you to match your incentive goals to the audience (or audiences) most likely to achieve them. Once you do that, you'll need some help in choosing the perfect merchandise awards to motivate your group. That's what's covered in the next chapter.